



## OPPORTUNITIES *for the* MAJORITY

# Banco Gerador: Banking for the Poor, Financing for Neighborhood Markets

### Bank Services at the *Mercadinho*

One of the greatest financial obstacles facing poor suburban and rural communities in Brazil is lack of access to banking. It's expensive to maintain bank branches there and many commercial banks decide not to invest. Residents often must travel long distances and spend time and money to access basic services such as savings, loans and utility bill payments.

In a creative solution, Banco Gerador S.A. (BG) is bringing banking to Brazilians at the base of the pyramid through its "Banorte Todo Dia" program, which licenses *mercadinhos*—small shops—in low-income communities to offer bank services and financial products.

The Inter-American Development Bank's Opportunities for the Majority is offering a line of credit up to \$5 million or its equivalent in Brazilian reais to Banco Gerador S.A. (BG) for its Banorte Todo Dia program to bridge the gap between those with easy access to bank services and those with none.

### Partnerships for Banking in Low Income Communities

*Mercadinhos* are focal points in most suburban and rural communities. They sell everything from toothpaste to spark plugs, and often are central to community social life.

The Banorte Todo Dia program takes local expertise and information networks of *mercadinho* owners, and uses a card and PIN system to extend credit to low-income people who have never had access to formalized credit before. In the past, *mercadinho* owners often gave customers credit, tying up resources that could be put towards inventory management and expansion.

To effectively analyze credit-worthiness and extend credit, Banorte Toda Dia relies on established relationships between *mercadinho* owners, supply chain distributors and customers. Distributors have well established relationships with *mercadinho*

owners who have a similar link with their customers. That means each party can effectively vouch for the other and a trustworthy chain of credit is established in a way that's cost effective for BG.

### Training *Mercadinhos* as Neighborhood Banks

BG is the only domestically held private bank in Brazil focused on advancing access to financial services in low-income areas of the north and northeast. Authorized and supervised by the Central Bank of Brazil to do business as a commercial bank without its own branches through its Banorte Todo Dia program, BG helps *mercadinhos* obtain licenses to become "banking correspondents."

Once approved, *mercadinhos* install point of sale registers and enroll customers with good payment histories inside the store, or through paid community sales representatives trained to identify creditworthy individuals. Although *mercadinhos* identify potential bank clients, BG assumes responsibility for credit approval and loan defaults, and all transactions are recorded electronically at the bank.

Customers use smart card to withdraw cash or buy on credit at the *mercadinho*. They can pay utility bills there, a valuable savings in time and bus fare, and pay off balances. BG trains *mercadinho* owners and employees to use their banking points of sale and financial products.

Importantly, the Banorte Todo Dia program gives participating *mercadinhos* the chance to obtain working capital or lines of credit to automate purchasing and to improve the management of inventory. BG has received close to \$300,000 in technical cooperation funds from the Korean Poverty Reduction Fund to assist with development of small shops as a platform for community banking.

*Mercadinhos* can also take advantage of training BG is organizing for better management, customer service and marketing, as well as information about laws, taxes and markets.

Enrollment of more than 200 *mercadinhos* in BG's Banorte Todo Dia program is underway and nearly completed. BG expects to operate community bank branches in around 6,000 *mercadinhos* in nine states of northeastern Brazil and to reach an estimated 1.5 million people.



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